

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 6961

S E C R E T SINGAPORE 0301

E.O. 11652: GDS

TAGS: MASS, SN

SUBJECT: MC ADVISORY OPINION -- AR-18 FACILITY IN SINGAPORE

REF: STATE 012102

1. DAO HAS OBTAINED FOLLOWING INFO ON SUBJECT UNDER REFERENCE
FROM BUSINESS/MINDEF SOURCES:

A. DISCUSSIONS BETWEEN THE GOS AND ARMALITE CORPORATION
ON THE AR-18 RIFLE BEGAN APPROXIMATELY A YEAR AGO AND RESULTED
IN REQUEST LAST SUMMER FOR THE SALE OF A SMALL NUMBER OF
AR-18S (BELIEVE LESS THAN FIVE) TO THE GOS FOR TEST AND EVALUA-
TION. WE UNDERSTAND REQUEST FOR SALE OF WEAPONS APPROVED
BY DOD AND STATE MUNITIONS CONTROL.

B. FOLLOWING TESTS, MINDEF CONCLUDED THAT THE M-16 WITH
WHICH THE SINGAPORE ARMED FORCES IS EQUIPPED IS SUPERIOR AND
THEREFORE WOULD NOT BE REPLACED BY THE AR-18 AS THE STANDARD
SAF WEAPON. HOWEVER, MINDEF ALSO DECIDED THAT THE PROSPECTS
FOR PRODUCTION OF THE AR-18 IN SINGAPORE FOR SALE TO NEIGHBOR-
ING FRIENDLY COUNTRIES WAS SUFFICIENTLY INTERESTING TO WARRANT
CONTINUING DISCUSSIONS WITH ARMALITE.

C. IN OCTOBER 1976, MINDEF REACHED AGREEMENT WITH

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ARMALITE CHAIRMAN DORCHESTER ON COST OF FRANCHISE TO
GOS WHICH ARMALITE AGREED TO LOWER FROM AN INITIAL PRICE
OF U.S. \$1 MILLION TO U.S. \$700 THOUSAND PLUS A FIXED
ROYALTY (UNDEFINED). THE GOS, HOWEVER, INSISTED THAT
ARMALITE OBTAIN USG ASSURANCE THAT THE GOS WOULD BE FREE
TO SELL AR-18S TO THOSE COUNTRIES IDENTIFIED IN PARA ONE
REFTEL.

D. THE GOS INTEREST IN PRODUCING THE AR-18 APPARENTLY
EVOLVES FROM THE FOLLOWING CONSIDERATIONS:

1. GOS WOULD BE ABLE TO RETAIN ITS HIGHLY-SKILLED
TECHNICAL STAFF AT CHARTERED INDUSTRIES WHO ARE CURRENTLY
UNDER-EMPLOYED. (COMMENT: THE PROBLEM OF CONTINUED
EMPLOYMENT OF HIGHLY-TRAINED WEAPONS TECHNICIANS HAS BEEN
A PREDICTABLE PROBLEM FOR CHARTERED INDUSTRIES AS M-16
REQUIREMENTS FOR THE SINGAPORE ARMED FORCES WERE FILLED.)

2. GOS WOULD BE ABLE TO EXPLOIT MARKETS THEY ARE
CURRENTLY RESTRICTED FROM SELLING M-16 RIFLES TO UNDER
TIGHT CONSTRAINTS OF THEIR COLT FRANCHISE.

3. GOS IS CONVINCED THEY COULD IMPROVE UPON THE
BASIC AR-18 DESIGN (E.G., THE BARREL FINISH IS POOR)
AND THEREBY IMPROVE SALEABILITY OF THE AR-18.

E. IF USG APPROVAL OF AGREEMENT (AND GOS CONDITIONS)
CAN BE OBTAINED, GOS WOULD PRODUCE THE AR-18 ALONG WITH
THE M-16 AT CHARTERED INDUSTRIES. IN VIEW OF THE CLOSE
SIMILARITIES WHICH EXIST BETWEEN THE TWO WEAPONS, THE
PRODUCTION DIFFICULTIES WOULD BE MINIMAL.

2. COMMENT: WHILE HOPEFUL THAT A POSITIVE USG RESPONSE
WILL BE FORTHCOMING, THE GOS IS KEENLY AWARE, AS A CON-
SEQUENCE OF EARLIER EXPERIENCES IN M-16 SALES, OF THE
SEVERE LIMITATIONS IMPOSED BY THE USG ON CO-PRODUCTION
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SALES. DESPITE THIS AWARENESS, THE EMBASSY BELIEVES
USG DENIAL OF ASSURANCES RE GOS SALES OF AR-18S TO THIRD
COUNTRIES WOULD PROBABLY NOT BE WELL RECEIVED BY MINDEF.
ALTHOUGH PRODUCTION OF THE AR-18 IS PROBABLY NOT A MAJOR
PRIORITY OBJECTIVE OF THE GOS, WE CANNOT BE CERTAIN THAT
DR. GOH WOULD NOT TRY TO CONDITION GOS COOPERATION ON
IMPORTANT MATTERS RELATED TO U.S. INTERESTS TO USG AGREEMENT
ON THE SALE OF AR-18S TO OTHER COUNTRIES.
HOLDRIDGE

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